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CENTRAL INTELLIGENCE AGENCY

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DATE OF INFO. 18 December 1948 - 3 January 1949
25X1X6SUPPLEMENT TO
REPORT NO. 25X1A2g1. Cessation of Property Requisitions and Preparations for Property Release

25X1X6 MALAVIN returned from Moscow with a directive specifying that no more German owned property is to be requisitioned and that some of that already seized is to be released. The Legal Department was instructed to study the problems connected with the restitution of requisitioned firms to Austrian economy but, as of 1 January, no list of names of firms to be released had been sent to the Legal Department. The specific plants which the Soviets plan to retain after the signing of a treaty is still a matter of speculation.)

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2. Transfer of USIA Patents

As of 3 January 1949, the Patent Department, located in the Trattnerhof, and responsible to USIA and the Imperial Hotel Reparations Division, has been enlarged from 5 to 16 staff members. Part of the expansion was made at the expense of the German Properties Department from which additional office space and several employees were taken by the Patent Department.

3. On 1 January, SOTOV, Soviet General Director of the Patent Department, was named "representative" of the Istegstahl Ges., a private patent office in Vienna IV, Argentinierstrasse 47. SOTOV apparently retains his functions in the Patent Department concurrently with his new position. All USIA-held patents have been transferred to Istegstahl, and a series of patent exploitation contracts are being drawn up by the personnel of the Patent and German Properties Departments between Istegstahl and various USIA plants and firms. The introduction to each of these contracts states clearly that Istegstahl has exclusive rights to all USIA patents. The list of firms for which patent

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AEG-Union ✓
 Elin A.G.
 Elin A.G.

Osram G.m.b.H.

Wiener Kabel- u. Metallwerke, A.G.

Schwechater Brauerei A.G.

Neisse and Company, Marzipan- u. Schokoladefabrik

Brucker Zuckerfabrik Clements ^{+ Auer}

Dr. A. Oetker, Foodproducts, Baden

R. Goldkott, Brunn a. Geb., Lower Austria (not listed)

August Roeders Company, Pfaffstaetten.

Schuh- und Lederfabrik Rehberg, formerly Franz Schmitt A.G., Krems

~~Schuh- und Lederfabrik~~~~Schuh- und Lederfabrik~~ ~~Rehberg, formerly Franz Schmitt A.G., Krems~~

William Prym Companies

Draeger G.m.b.H.

Steyr-Dainler-Puch A.G.

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Islegstahl, formerly Schimmel and Company, is an example of the type of front company which the Soviets may build up and into which they may place a large portion of USIA functions and personnel after the conclusion of a State Treaty.)

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4. Cutbacks in German Properties Department

On 1 January, YEFIMOV was replaced as Chief of the German Properties Department of USIA by one OLEKH, an engineer recently arrived from Moscow. Before leaving for his new assignment as General director of the Klosterneuberg plant of the Trofacher Eisenwerke, YEFIMOV commented that KROLEVSKI, former chief of the Legal Department and now in charge of a department in the Ministry of War in Moscow, would undoubtedly replace OLEKH with a new, more qualified man. YEFIMOV added, however, that the work of the German Properties Department would be concluded in its present form within four to six months.

5. OLEKH has issued orders for immediate preparation of brief generalization estimates of German holdings in cooperative societies, percentages of German ownership in mixed firms, and amounts owed to German creditors by Austrian firms, and has suggested that the case officers make informed guesses if they were unable to calculate the totals accurately within the week time limit he had set for the completion of the job. The termination of 25X1X6 ownership investigations and the rough estimation of German property values indicates that final claims are being prepared and that the German Properties Department may dissolve or convert to other methods for exploiting German properties.)

6. NIEDERLE, Deputy to YEFIMOV, expects to be transferred to Moscow within a few months. His expected replacement, SIGUN, who arrived from Moscow in November, was transferred from the German Properties Department to the Patent Department on the first of the year.

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Class. CHANGED TO TS S (C)

DDA Memo, 4 Apr 77

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Date: 5 May 78 By: 027

German Properties Department, has estimated that by stretching the interpretation of the Potsdam Agreement to include Aryanized farmland and areas taken over by the German Army for airfields, maneuver grounds, camps and depots, the Soviets could claim approximately one-third of the area of Lower Austria as German property. Data has not yet been collected on buildings which could be claimed as German-owned in the Soviet sector of Vienna, particularly in the southwestern suburbs.

8. USIA-KPOe Meeting

On 18 December 1948, a meeting of representatives of the Austrian Communist Party (KPOe) and GEORGIEV, head of the Light Industry Administration of USIA, was held with Austrian directors of certain USIA-controlled firms. KPOe representatives were FELNER, MAKOVSKY, STOCKLASA, LAUSCHER of the Central Committee, and BAUER, who acted as chairman of the meeting. The USIA directors were LEEB of the Stadlauer Leather Factory, HOLMANN of Glanzstoff Fabrik, St. Poelten, KUKHARSHKA of Stahl- u. Temperguss A.G., Traisen, and several other directors of USIA-controlled firms.

the USIA firms represented at this meeting were those which the Soviets have decided to retain under their control after the State Treaty. Other than the three mentioned above, the names of the firms represented were not known.)

9. FELNER, who opened the meeting, stated that each USIA firm must produce either a cash profit or an excess in finished goods during the year 1949. For the time being all profits in excess of current production costs are to be paid into the Soviet Military Bank, but another bank would be named after the signing of a State Treaty this coming spring. According to FELNER, USIA profits would not be subject to Austrian tax nor would their books be subject to examination by the Austrian Government. The bulk of USIA-purchased goods are to be exported and, in order to avoid Austrian scrutiny and export control, the Soviets would furnish USIA with Danube shipping facilities set up as a separate company. The director of each firm was to be held responsible for the actions of all personnel employed in his firm and was instructed to retain reliable Communists in key positions for the next few months.
10. FELNER announced that the Soviets would maintain a Trade Delegation (Handelsdelegation) and a Chamber of Commerce in Vienna I, Seilerstaette; the director of the latter would be Dr. FRITZ, Austrian member of the KPOe. Both the Soviet Trade Delegation and the Soviet Chamber of Commerce would enjoy extra-territorial rights and privileges.

11. FELNER also stated that a part of USIA profits would be used to support other things [redacted] inferring that the KPOe expected to receive a part of its income in this way).

the consensus among members of the Central Committee of the KPOe is that the USSR is prepared to make economic but not political concessions in Austria. Therefore, though USIA may be altered, reduced, and streamlined, it will not be given up entirely because it has a definite significance as a base for political activity. The USIA Directorate has never had a high regard for the efficiency of Communist managements in USIA industries, however, and of late has insisted on a criterion of efficiency rather than KPOe political activity as a basis for the retention or dismissal of USIA employees. It seems possible that KPOe participation in this meeting of 18 December was a sop to party morale and it seems questionable that the KPOe would be given a voice in USIA post-treaty plans.)

12. GEORGIEV followed FELNER as speaker and stated that by Russian New Year he would like to send a report to several Soviet Ministries that the remaining USIA firms are completely reliable. All USIA-controlled firms were instructed to do their utmost to increase production and cut costs. To aid them, a system of worker bonuses geared to production was to be instituted shortly, and the funds to be provided by the Soviet Military Bank. GEORGIEV specifically mentioned that Hirtenberger Patronenfabrik, Berndorf, A.G. and Glanzstoff Fabrik, St. Poelten, were to receive new machinery from Bizonia to assist

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25X1X6 ✓ exports to both eastern and western Germany, but particularly to Bizonia, ~~the fact that~~ the Soviets could earn Marks for the purchase of certain necessary commodities from Bizonia.

13. Miscellaneous

According to Trattnerhof service personnel who are cleaning the Porr Haus, Vienna IV, Operngasse, USIA headquarters is to be moved from Trattnerhof to the Porr Haus in late January or early February 1949. The fact that the new quarters are considerably smaller than Trattnerhof was taken as an indication that USIA personnel would be reduced.

14. The USIA plants under the Administration for Light Industry have been required to complete their balance on inventory for 1948 by 17 January 1949. A few firms were requested to close their books as of 1 December 1948, and have already turned in their reports. In previous years balance on inventory was taken in March.

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